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FEDERAL COMM COMMISSION
OFFICE OF THE SECRETARY

January 28, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 92-77, Billed Party Preference

Dear Mr. Caton,

Attached is a USA Today Cover Story dated January 25, 1994 and titled, "Blocked calls leave users on the hook." Please include this article in the record of this proceeding.

The article describes problems consumers continue to encounter when attempting to reach their desired carrier by dialing access codes from payphones. As an example, the article describes a consumer's frustration when she is unable to reach her carrier of choice because access code dialing is blocked at the payphone and, ultimately, the consumer "gives up and dials zero." The result -- "easily triple" the cost of the call. The article describes another consumer's experience when reaching an unfamiliar carrier as, "a chill goes down my spine." Additionally, one consumer described her attitude about filing complaints with the FCC or her carrier as, "That's the last thing I want to do when I get home." Finally, the article concludes with a Telecommunications Analyst comment, "The worst thing is to have everybody scared to pick up a payphone."

The USA Today article highlights the ongoing, enormous effort carriers are expending to 'police' unblocking of access codes. Despite this enormous effort -- consumers continue to be frustrated when dialing access codes and fear the uncertainty of dialing "zero" at payphones. The Commission can remove consumer fear of "dialing zero" and reinstill their confidence in using payphones by implementing Billed Party Preference. BPP returns control of "dialing zero" to the consumer by ensuring they reach the carrier of their choice.

Sincerely,

Michael K. Cahill

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A SATELLITE

USA TODAY

Money

TUESDAY, JANUARY 25, 1994

COVER STORY

Blocked calls leave users on the hook

Users steered to high-priced long-distance providers

By Del Jones
USA TODAY

Ellen Hollander is between flights, hurrying to make a business call from a pay phone.

She tries using her AT&T calling card but gets dead air. It's not the rapid busy signal she's suffered at other pay phones, but just as frustrating. "Time is money, especially if you'll miss your flight," she says. She gives up and dials zero.

An operator for a carrier she's never heard of cheerfully places the call, billing Hollander's credit card $13 for five minutes — "easily triple" what she would have paid if she had used AT&T, Hollander says. "It's totally absurd."

Hollander, of Silver Spring, Md., has been victimized again by a little-known rip-off called "blocking." Some pay phones and hotel room phones prevent callers from using their preferred long-distance company. When callers tire of trying to reach an AT&T, MCI or Sprint, they accept whatever carrier has contracted with the owners of the hotel or pay phone. And they often wind up paying much more.

"You know they're going to bleed you," says Tom Burke, a Smithville, Mo., sales manager. "But that's the way it goes."

Hotels, hospitals and the thousands of owners of pay phones get commissions of 10% to 50% from long-distance companies. But only when the calls are placed with the long-distance carrier contracted to that particular telephone. Callers are supposed to be able to bypass any long-distance carrier and reach another at no charge. For example, they should be able to dial 10ATT to reach AT&T, 9501022 for MCI and 800-877-8000 for Sprint. Then, they can bill the call to a calling card, credit card or a home or office number.

Bypassing one long-distance company in favor of another is what's known in the industry as "dialing around." People dial around to another carrier about half the time, accord-

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COVER STORY

Travelers say ploy is common

Continued from 1B

ing to a 1991 FCC study. Blocking occurs when a caller attempts to dial around to another carrier, but the phone is programmed to go dead or emit a busy signal.

It's been illegal for owners of pay phones to block for more than a year. The pay-phone industry insists blocking is no longer widespread. "Blocking should not be happening," says Al Kramer, a lawyer for the American Public Communications Council, which represents the owners of 180,000 pay phones. People's Telephone CEO Jeffrey Hanft, whose company owns 36,000 pay phones in 45 states, says he regularly tests the phones of dozens of competitors when he travels and reports blocking violators to the Federal Communication Commission.

"There are some bad guys," but blocking is not common, Hanft says.

AT&T says it has been busy compiling evidence to the contrary. It asked a fourth of its operators to keep a three-month log last year. Managers were astonished to count 19,000 complaints from people saying they couldn't get through to AT&T or had difficulty. MCI and Sprint also say blocking remains a problem, "a very serious problem," says Leon Kestenbaum, Sprint's vice president of federal regulatory affairs.

Frequent travelers say they are blocked at least 10% of the time. If so, consumers are paying at least an extra $600 million a year for long-distance calls made from pay phones.

The FCC got 340 written complaints about call blocking last year and 1,354 about excessively high long-distance rates. The FCC won't say how many of those rate complaints were the result of blocking.

The FCC can fine pay-phone owners up to $1 million for blocking. But policing 2 million pay phones owned by thousands of companies is impossible. The few that get caught blame old or malfunctioning equipment and almost always get off with a citation and no fine.

The return for such little risk can be handsome. Pay phones, once a money loser for the old Ma Bell, have become a lucrative industry that produces $6 billion a year in revenue. The average pay phone produces $2,000 a year in long-distance revenue, nearly double what it takes in coins for local calls. Long-distance revenue from phones near airport gates can be $10,000 or more a year.

Dozens of long-distance companies serve pay phones, and their rates vary widely. According to a 1991 FCC study, the long-distance charge for an eight-minute call of only 56 miles from a hotel averages $3.52, but can range from $2.52 to $7.75.

Until now, AT&T has complained little about blocking. It is the long-distance carrier chosen by a majority of pay-phone owners and may even benefit when people are unable to dial around to another carrier. AT&T was "very opposed" to a 1991 FCC rule that requires long-distance carriers to supply 800-numbers, says Bob Spangler, the FCC's deputy chief of enforcement. That rule was adopted to give people another way of dialing around to the carrier of their choice, although phone company 800-numbers also can be blocked by today's sophisticated $1,500 pay phones.

Pittsburgh banker David Steinman says he has dialed MCI's 800-number from airports only to get recorded responses like: "Sorry, you can't use this number."

"I get incensed," Steinman says.

Emboldened by its 19,000 customer complaints, AT&T has decided to launch a strong anti-blocking attack. It is asking pay-phone owners to sign affidavits that they don't block. It is heavily promoting its 1-800-CALLATT number as a sure way to reach AT&T from any phone. And two weeks ago, it met with the American Public Communications Council, the pay-phone trade group, and the FCC.

"Nothing was really resolved (at the meeting)," says John Mellor, AT&T spokesman. "There is some difference of opinion as to what constitutes unblocking."

But frequent business travelers say they know blocking when they hear it. Burke says it's so widespread that he's given up trying to dial around to a cheaper carrier and accepts whatever he gets. When he reaches an unfamiliar carrier, "a chill goes down my spine."

Not every blocking complaint is justified. Infrequent long-distance callers may believe they are being blocked because they don't know how to dial around. But all sides agree that well-versed business travelers should be able to do so with ease.

"My calls are blocked, no question," says Hollander, who knows her AT&T calling card number by heart. But she has never complained to the FCC or AT&T. "That's the last thing I want to do when I get home."

Frequent business travelers also accuse hotels of blocking room phones. That's not illegal — yet. The FCC has given hotels and hospitals until 1997 to modify their equipment. That's when call blocking will be illegal from every phone except those in some rural areas and in prisons, home of one of 40 pay phones.

Major hotel chains say they aren't waiting until 1997. It hasn't been that expensive to convert, and happy guests make up for the lost revenue. "They realized they were in the hotel business and not the phone business," says Jim Lande, an FCC economist. "The marketplace is taking care of the problem."

Telecommunications analyst Robert Johnson of Chicago Corp. says the pay-phone industry must reach a similar conclusion that its long-term growth is hurt by blocking.

"The worst thing is to have everybody scared to pick up a pay phone," and wait until they get back to the office to make calls, Johnson says.

Reach out to your carrier

There are three ways to reach a long-distance carrier of your choice if you want to "dial around" the carrier that has contracted with the owner of the hotel guestroom or pay phone that you are using. But they may not work if the phone is blocked.

▶ **10-Triple X.** All long-distance companies have a five-digit number starting with 10. For example, AT&T's is 10ATT, MCI's is 10222, and Sprint's is 10333. You push the 10XXX number followed by 0, the area code and the number. You then have two options: You can enter your calling card number and make your call. Or, if you don't have a calling card, you cab waut for a human operator and bill the call to a credit card or home or office number. Caution: Press 0 before the area code, not 1. Hotel room phones and pay telephones will not accept a 1.

▶ **1-800.** All carriers also have 800-numbers. Sprint's is 1-800-877-8000, MCI's is 1-800-950-1022 and AT&T's 1-800-CALLATT. Most require you to enter a calling card number, but AT&T lets you reach a human operator to bill the call to a credit card.

▶ **950.** MCI promotes this method. You can reach it by dialing 9501022. This is an alternative to the 800-number and may not work on some phones. AT&T and Sprint do not have 950 numbers.

A 1991 study by the Federal Communications Commission showed that fees for an 8-minute, 2,000-mile long-distance call ranged from $2.80 to $11 depending on the carrier.